

***Proposed Municipal Services Review and
Sphere of Influence Review for the Santa
Margarita Water District (MSR 05-24 and
SOI 05-29)***

Santa Margarita Water District

BACKGROUND

The attached report includes the Municipal Service Review (MSR) and Sphere of Influence (SOI) update for the Santa Margarita Water District. LAFCOs are required by statute (Government Code Section 56430) to conduct MSRs as a way to assist agencies and residents by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the next 15 to 20 years.

LAFCOs are also required to complete Sphere of Influence (SOI) reviews in conjunction with Municipal Service Reviews for each agency at least once every five years. SOIs identify a district's ultimate service boundary within a 15-year time horizon. An SOI is used as a long range planning tool that guides future LAFCO decisions on individual jurisdictional boundary changes, incorporation proposals, district formation, and proposals for consolidation, merger, or formation of subsidiary districts.

MUNICIPAL SERVICE REVIEW (MSR)

No significant service related issues were identified for the Santa Margarita Water District. Staff recommends that the Commission receive and file the MSR report⁷ and adopt the nine MSR determinations (Attachment A).

SPHERE OF INFLUENCE (SOI)

The Santa Margarita Water District, which is the second-largest water district in Orange County, provides water and wastewater to more than 150,000 customers. It serves the cities and communities of Mission Viejo, Rancho Santa Margarita, Coto de Caza, Las Flores, Ladera Ranch, Talega (within the City of San Clemente) and the Rancho Mission Viejo development.. It was first formed in 1964 to provide water for ranching operations in southern Orange County and at that encompassed approximately 42,000 acres.

In 1973 LAFCO approved the annexation of the 22,000 acres of the current Rancho Mission Viejo development increasing the size of the District to approximately 64,000 acres. However the District's first sphere of influence wasn't approved by LAFCO until 1976 as a result of a request to detach territory from the Trabuco Canyon Water District and annex it to Santa Margarita. In 1978 LAFCO reaffirmed the District's sphere.

In July 1987, LAFCO reviewed and amended the Santa Margarita Water District SOI to include the 73 acre Brengle/Hermann properties which was subsequently annexed to the District. The District's sphere has not been comprehensively reviewed by the LAFCO Commission since 1987 although there have been some small sphere amendments/annexation primarily to align property

⁷ Under separate cover

ownership lines. The District service area and boundaries are defined by adjacent agencies and the Orange County boundary except for serving a portion of San Diego County. Its sphere is generally coterminous with its service boundaries.

However in 1995 LAFCO denied an application to replace the Santa Margarita Water District with a subsidiary of American Water Works Company, Inc, a private water purveyor. One of the reasons given by the American Water Works Company for the application was that three years previously some individuals at the Districts were "...found to have engaged in unethical practices with District contractors. At the same time, the District was accused of serious financial mismanagement. Since that time, the upper management and the entire board of directors have been replaced, a strict code of ethics has been adopted, and a more conservative fiscal policy has been implemented."⁸ Since 1993 there have been no issues noted with the District; in fact the District consistently has won industry awards for its administrative and financial systems. In denying the proposal LAFCO noted that it would decrease local accountability and oversight and would not improve services to residents.

The present and planned land uses in the District are varied. It currently serves a wide range of land uses and will encompass more as the Rancho Mission Viejo development occurs. The District is divided into eight improvement districts with each improvement district's facilities funded by bonds specific to that improvement district. This improvement districts allow the Santa Margarita Water District the ability to meet its diverse land uses, topography and service needs. The District, which provides water and wastewater services, has adequate capacity in facilities to serve current and future service needs. For these reasons, staff is recommending that the Commission reaffirm the Santa Margarita's current sphere of influence.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

LAFCO is the lead agency under CEQA for municipal service reviews. Staff recommends that the Commission consider municipal service review determinations exempt from CEQA under CEQA Guidelines §15262, Feasibility and Planning Studies. (Attachment B, Notice of Exemption.)

LAFCO is also the lead agency under CEQA for sphere of influence reviews. Staff completed an initial study and determined that adoption of a SOI for the Santa Margarita Water District would not have a significant effect on the environment. A Draft Negative Declaration (Attachment C) was prepared and noticed in accordance with CEQA. No comments on the Draft Negative Declaration were received.

Additionally, staff recommends that the Commission certify that, based upon the Notice of Exemption and the Negative Declaration, the Municipal Service Review and Sphere of Influence Update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code, and direct staff to file a de minimus statement with California Wildlife, Fish and Game (Attachment D).

⁸ "Special District Privatization" Association of California Water Agencies. July 1, 1995

RECOMMENDATIONS

Staff recommends that the Commission:

- Receive and file the Municipal Service Review for the Santa Margarita Water District.
- Adopt the resolution for the Santa Margarita Water District's MSR with the required determinations (Attachment A).
- Find the MSR exempt under CEQA (§15262) (Attachment B)
- Adopt the Draft Negative Declaration (Attachment C) for the proposed SOI update.
- Certify the De Minimus Impact Finding Statement for the California Wildlife, Fish and Game Department (Attachment D).
- Adopt the sphere of influence resolution and required findings (Attachment E) for the Santa Margarita Water District reaffirming the District's current sphere as shown on Exhibit 1.

MSR 05-24

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
ADOPTING DETERMINATIONS AND RECEIVING AND FILING THE
MUNICIPAL SERVICE REVIEW FOR THE SANTA MARGARITA
WATER DISTRICT**

February 8, 2006

On motion of Commissioner , duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission (“LAFCO”) adopt Spheres of Influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the Sphere of Influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a Sphere of Influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update Spheres of Influence the Commission shall conduct Municipal Service Reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the Municipal Service Review (MSR 05-24) and an accompanying Sphere of Influence update for the Santa Margarita Water District (SOI 05-29), and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the Municipal Service Review for the Santa Margarita Water District (MSR 05-24) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the city; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set February 8, 2006 as the hearing date on this Municipal Service Review proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of a municipal service review for the Santa Margarita Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on February 8, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act, the municipal service review for the Santa Margarita Water District was determined to be exempt from CEQA under State CEQA Guidelines §15262, Feasibility and Planning Studies.

WHEREAS, LAFCO certified that based upon the Notice of Exemption, the municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) The municipal service review for the Santa Margarita Water District (MSR 05-24) together with the written statement of determination, are determined to be exempt from the California Environmental Quality Act

(CEQA) under State CEQA Guidelines §15262, Feasibility and Planning Studies.

- b) The Commission directs the Executive Officer to file a Notices of Exemption as the lead agency under Section 15062.
- c) The municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

Section 2. Determinations

- a) The Commission accepts the report for the municipal service review for the Santa Margarita Water District (MSR 05-24) as presented to the Commission on February 8, 2006.
- b) The Executive Officer's staff report and recommendation for approval of the municipal service review for the Santa Margarita Water District, dated February 8, 2006, are hereby adopted.
- b) The Commission has adopted the accompanying Statement of Determinations for the Santa Margarita Water District, shown as "Attachment A-1."

Section 3. This review is assigned the following distinctive short-form designation: "Municipal Service Review for the Santa Margarita Water District" (MSR 05-24).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.

COUNTY OF ORANGE)

I, , Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 8th day of February, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of February, 2006.

Chair of the Orange County
Local Agency Formation Commission

By: _____

SERVICE REVIEW DETERMINATIONS

1) Growth & Population Projections

The Santa Margarita Water District is projected to experience a significant increase in both population and service connections over the next 25 years as its service area develops. It currently serves approximately 150,000 people.

2) Infrastructure Needs & Deficiencies

The future growth projected for the District is significant and will result in significant increases in the demand for additional water and wastewater services. The Santa Margarita Water District has adopted long range capital improvement plans/master plans for its service as well as reviewing infrastructure needs annually through its budget. This process ensures that services are provided concurrently with need.

3) Financing Opportunities & Constraints

The impact of the local revenues shift to the State from the City of Mission Viejo resulted in a reduction in city revenues of approximately \$3,250,000 during Fiscal Years 2004-05 and 2005-06. No other significant financing issues were noted.

4) Opportunities for Rate Restructuring

No issues regarding rate restructuring currently apply.

5) Government Structure Options

No significant issues were noted. The District is surrounded by other water and wastewater service providers and has maintained relatively stable boundaries over the previous 20 years. The MSR report noted that in the future the Santa Margarita Water District and the Trabuco Canyon Water District should discuss benefits that might result from a possible consolidation between the two agencies. No other governmental structure options were noted.

6) Local Accountability & Governance

The District follows standard processes for accountability to the public. The Board of Directors, as the governing body, is elected and conducts regularly scheduled public meetings. The District maintains a website that includes contact information and links to services and local events.

7) Opportunities for Cost Avoidance

The Santa Margarita Water District currently contracts with other public agencies and private entities for those services when cost/benefit studies have

demonstrated a savings to the city by avoiding overhead, infrastructure, and associated management costs.

8) Opportunities for Management Efficiencies

No significant issues were noted.

9) Opportunities for Shared Facilities

No significant issues were noted.

PRELIMINARY EXEMPTION ASSESSMENT

(Certificate of Determination when attached to Notice of Exemption)

1. Name or description of project:

South County Municipal Services Review and Governance Strategy

2. Project location: (identify street address and/or cross streets or attach a map showing the project site)

The municipal service review and governance strategy study area generally includes the South Orange County area from the northern boundaries of the Cities of Mission Viejo and San Juan Capistrano and sweeping south to the county line. It includes the cities and special districts providing essential services as well as the County of Orange. Three unincorporated communities included in the study area – Coto de Caza/Wagon Wheel, Ladera Ranch, and Las Flores – have matured and are at or near build-out. These communities are not currently within the sphere of influence of any city; the County is the primary municipal service provider.

3. Entity or person undertaking project: (include name of contact person, address, and phone number)

Local Agency Formation Commission (LAFCO)

Kim Koeppen, Project Manager

12 Civic Center Plaza, Rm. 235

Santa Ana, CA 92701

(714) 834-2556

4. Staff determinations:

The Commission's staff, having undertaken and completed a preliminary review of this project in accordance with the Commission's "Local Guidelines for Implementing the California Environmental Quality Act (CEQA)," has concluded that this project does not require further environmental assessment because:

- a. ☒ The proposed action does not constitute a project under CEQA.
- b. ☐ The project is a Ministerial Project.
- c. ☐ The project is an Emergency Project.
- d. ☒ The project constitutes a feasibility or planning study.
- e. ☒ The project is categorically exempt. (Applicable Exemption Class: Class 6, State CEQA Guidelines Section 15306)
- f. ☒ The project is statutorily exempt. (Applicable Exemption: State Code Sections 21102, 21150; Guidelines Sec. 15262)
- g. ☒ The project is otherwise exempt on the following basis: State CEQA Guidelines Section 15061(b)(3).
- h. ☐ The project involves another public agency which constitutes the Lead Agency. (Name of Lead Agency:)

Date: February 1, 2006

Signature: _____
Kim Koeppen, Project Manager
Orange County Local Agency Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

(714) 834-2556

NOTICE OF INTENT TO ADOPT A NEGATIVE DECLARATION

Notice is hereby given that ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION, LAFCO, has completed an Initial Study of the proposed sphere of influence update for the Santa Margarita Water District.

In accordance with the Commission's Guidelines implementing the California Environmental Quality Act. The Initial Study was undertaken for the purpose of deciding whether the project may have a significant effect on the environment. On the basis of such Initial Study, the Local Agency Formation Commission has concluded that the project will not have a significant effect on the environment, and has therefore prepared a Draft Negative Declaration. The Initial Study reflects the independent judgment of the Commission. The project site is not on a list compiled pursuant to Government Code section 65962.5. Copies of the Initial Study and Draft Negative Declaration are on file at the Commission's office, located at 12 Civic Center Plaza, Rm. 235, Santa Ana, CA 92701 and are available for public review. Comments will be received until the close of the public hearing on the item at the Local Agency Formation Commission meeting on February 8, 2006. Any person wishing to comment on this matter may submit written comments to the Commission prior to the public hearing, or may present oral comments in support or opposition at the time of the hearing. Comments from responsible agencies are encouraged.

At its meeting on Wednesday, February 8, 2006 at 9:00 am at 10 Civic Center Plaza, Santa Ana, CA 92701, the Local Agency Formation Commission will consider the sphere of influence review and update of the Santa Margarita Water District and respective Draft Negative Declaration. If the Commission finds that the project will not have a significant effect on the environment, it may adopt the Negative Declaration and proceed with consideration of the above-project without the preparation of an Environmental Impact Report.

Please note, available legal remedies may be limited to only those issues raised at the public hearing described in this notice, or in written correspondence delivered to the Commission at, or prior to, the public hearing.

Date Received
for Filing: January 3, 2006

Joyce Crosthwaite
Executive Officer
Orange County LAFCO

ENVIRONMENTAL CHECKLIST FORM

1. Project Title: Santa Margarita Water District Sphere of Influence Update
2. Lead Agency Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
3. Contact Person and Phone Number: Kim Koeppen, Project Manager
4. Project Location: The project area is located in south-central Orange County including portions of the Cities of San Clemente, Mission Viejo and Rancho Santa Margarita and the unincorporated areas of Ladera Ranch, Las Flores, Coto de Caza and the Rancho Mission Viejo lands
5. Project Sponsor's Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
6. General Plan Designation: Residential, Open Space, Recreation, Industrial, Commercial, Public/Institutional, Other
7. Zoning: Residential, Commercial, Business, Open Space, Recreational, Public/Institutional
8. Description of Project: (Describe the whole action involved, including but not limited to later phases of the project, and any secondary, support, or off-site features necessary for its implementation. Attach additional sheet(s) if necessary.)

Pursuant to California Code of Regulations, Title 14, Section 15074, the Commission will review and consider the adoption of a negative declaration relating to the proposed update of the Santa Margarita Water District's sphere of influence. The negative declaration confirms the findings of the associated initial study that the proposed project (the update of the Santa Margarita Water District sphere of influence update) will not have a significant effect on the environment.

In accordance with Government Code Section 56425 and the LAFCO Sphere of Influence Policy, LAFCO is required to review an agency's sphere of influence every five years in conjunction with conducting municipal sphere reviews. LAFCO is required to establish a sphere of influence to identify probable future boundaries and service areas of all cities and special districts.

LAFCO is recommending that the Santa Margarita Water District sphere of influence be reaffirmed at this time.

9. Surrounding Land Uses and Setting:
The Santa Margarita Water District's sphere of influence is coterminous with its service area boundary. The district's service area encompasses 97 square miles and includes a portion of Mission Viejo, Rancho Santa Margarita, Las Flores, Coto de Caza, Ladera Ranch, San Clemente (Talega), and Rancho Mission Viejo lands.

10. Other public agencies whose approval is required (e.g., permits, financing approval, or participation agreement):
None

DRAFT

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

- | | | |
|---------------------------------|--------------------------------------|----------------------------|
| ~ Aesthetics | ~ Agriculture Resources | ~ Air Quality |
| ~ Biological Resources | ~ Cultural Resources | ~ Geology / Soils |
| ~ Hazards & Hazardous Materials | ~ Hydrology / Water Quality | ~ Land Use / Planning |
| ~ Mineral Resources | ~ Noise | ~ Population / Housing |
| ~ Public Services | ~ Recreation | ~ Transportation / Traffic |
| ~ Utilities / Service Systems | ~ Mandatory Findings of Significance | |

DETERMINATION (To be completed by the Lead Agency):

On the basis of this initial evaluation:

- ✓ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- ~ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- ~ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- ~ I find that the proposed project MAY have a "potentially significant or "potentially significant unless mitigated" impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- ~ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Signature
Joyce Crosthwaite, Executive Officer
Printed Name

January 3, 2006
Date
Orange County LAFCO
For

EVALUATION OF ENVIRONMENTAL IMPACTS:

The following is the environmental checklist form presented in Appendix G of the CEQA Guidelines. The checklist form is used to describe the potential environmental impacts of the proposed project with respect to 17 factors prescribed for consideration. For this checklist, the following four designations are used:

- **Potentially Significant Impact:** An impact that could be significant, and for which no mitigation has been identified. If any potentially significant impacts are identified, an EIR must be prepared.
- **Potentially Significant Unless Mitigation Incorporated:** An impact that requires mitigation to reduce the impact to a less-than-significant level.
- **Less-Than-Significant Impact:** Any impact that would not be considered significant under CEQA relative to existing standards.
- **No Impact:** The project would not have any impact.

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------	--	------------------------------	-----------

I. AESTHETICS. Would the project:

- | | | | | |
|--|---|---|---|---|
| a) Have a substantial adverse effect on a scenic vista? | ~ | ~ | ~ | ✓ |
| b) Substantially damage scenic resources, including, but not limited to, tress, rock outcroppings, and historic buildings within a state scenic highway? | ~ | ~ | ~ | ✓ |
| c) Substantially degrade the existing visual character or quality of the site and its surroundings? | ~ | ~ | ~ | ✓ |
| d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area? | ~ | ~ | ~ | ✓ |

Discussion: The project will not result in any significant direct or cumulative impacts on the aesthetics of the project area. This includes not adversely affecting scenic vistas, damaging scenic resources, degrading visual character, or creating new sources of light.

II. AGRICULTURE RESOURCES. In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?
- b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?
- c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?

~	~	~	✓
~	~	~	✓
~	~	~	✓

Discussion: The proposed project does not cause any specific new developments to be undertaken and will not result in any significant direct or cumulative impacts on the agricultural resources of the project area.

III. AIR QUALITY. Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:

- a) Conflict with or obstruct implementation of the applicable air quality plan?
- b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?
- c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is nonattainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?
- d) Expose sensitive receptors to substantial pollutant concentrations?

~	~	~	✓
~	~	~	✓
~	~	~	✓
~	~	~	✓

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- d) Create objectionable odors affecting a substantial number of people?

~ ~ ~ ✓

Discussion: The project will not result in any significant direct or cumulative impacts on the air quality within the project area. This includes not violating air quality standards or creating objectionable odors.

IV. BIOLOGICAL RESOURCES. Would the project:

- a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?
- b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?
- c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?
- d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?
- e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- e) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?

~ ~ ~ ✓

Discussion: The proposed project does not cause any specific new developments to be built. The project will not result in any significant direct or cumulative impacts on the biological resources of the project area and this includes adversely affecting endangered, threatened, or rare species and their habitat.

V. CULTURAL RESOURCES. Would the project:

- a) Cause a substantial adverse change in the significance of a historical resource as defined in § 15064.5?
- b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to § 15064.5?
- c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?
- d) Disturb any human remains, including those interred outside of formal cemeteries?

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

Discussion: There are no historical landmarks located within the project area as determined by the State of California and there is no evidence of any other types of cultural resources located within the project area as defined by Section 15064.5 of the CEQA Guidelines. The project will not result in any significant direct or cumulative impacts on the cultural resources of the project area.

VI. GEOLOGY AND SOILS -- Would the project:

- a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury or death involving:

~ ~ ~ ✓

Issues:

	Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.	~	~	~	✓
ii) Strong seismic ground shaking?	~	~	~	✓
iii) Seismic-related ground failure, including liquefaction?	~	~	~	✓
iv) Landslides?	~	~	~	✓
b) Result in substantial soil erosion or the loss of topsoil?	~	~	~	✓
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?	~	~	~	✓
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?	~	~	~	✓
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?	~	~	~	✓

Discussion: The sphere of influence update will not result in any significant direct or cumulative impacts on the geology or soils of the project area including contributing to soil erosion or exposing individuals or structures to loss, such as injury or death, resulting from earthquakes or landslides.

VII. HAZARDS AND HAZARDOUS MATERIALS.

Would the project:

a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?	~	~	~	✓
---	---	---	---	---

Issues:

	Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	~	~	~	✓
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	~	~	~	✓
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?	~	~	~	✓
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?	~	~	~	✓
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?	~	~	~	✓
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	~	~	~	✓
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?	~	~	~	✓

Discussion: Updating the agency's sphere of influence will not result in any significant direct or cumulative impacts with respect to creating hazards or hazardous materials within the project area.

VIII. HYDROLOGY AND WATER QUALITY. Would the project:

a) Violate any water quality standards or waste discharge requirements?	~	~	~	✓
---	---	---	---	---

Issues:

	Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	~	~	✓	~
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?	~	~	~	✓
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?	~	~	~	✓
e) Create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff?	~	~	~	✓
f) Otherwise substantially degrade water quality?	~	~	~	✓
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?	~	~	~	✓
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?	~	~	~	✓
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	~	~	~	✓

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------	--	------------------------------	-----------

- j) Inundation by seiche, tsunami, or mudflow?

~ ~ ~ ✓

Discussion: Adoption of an updated sphere of influence for the Santa Margarita Water District will not deplete groundwater supplies nor will it result in a net deficit in aquifer volume. However updating the District's sphere of influence could result in subsequent annexations that could deplete water supplies. Subsequent annexations would be subject to additional CEQA review. Specific development projects would also have to be consistent with recent legislative changes requiring proof of water availability for some development projects.

IX. LAND USE AND PLANNING. Would the project:

- a) Physically divide an established community?
- b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?
- c) Conflict with any applicable habitat conservation plan or natural community conservation plan?

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

Discussion: Updating the agency's sphere of influence will not result in any significant direct or cumulative impacts with respect to land use planning within the project area.

X. MINERAL RESOURCES. Would the project:

- a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?

~ ~ ~ ✓

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?

~ ~ ~ ✓

Discussion: The project will not result in any significant direct or cumulative impacts on the mineral resources of the project area. This includes not incurring the loss of known valuable mineral resources.

XI. NOISE. Would the project result in:

- a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?
- b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?
- c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?
- d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?
- e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

~ ~ ~ ✓

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?

~ ~ ~ ✓

Discussion: The project will not result in any significant direct or cumulative impacts on noise levels within the project area. This includes not exposing individuals to excess groundborne vibrations or substantially increasing ambient noises, whether temporary, periodical, or permanent.

XII. POPULATION AND HOUSING. Would the project:

- a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of road or other infrastructure)?
- b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?
- b) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?

~ ~ ✓ ~

~ ~ ~ ✓

~ ~ ~ ✓

Discussion: Adoption of an updated sphere of influence for the Santa Margarita Water District will not result in direct and substantial population growth. However the sphere is the ultimate service boundary of the agency and the District should be planning for infrastructure improvements to serve all the territory within its sphere. New infrastructure can encourage additional growth. However subsequent infrastructure improvements for developments and/or annexations will require additional CEQA review.

XIII. PUBLIC SERVICES. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- a) Result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:

Fire protection?	~	~	~	✓
Police protection?	~	~	~	✓
Schools?	~	~	~	✓
Parks?	~	~	~	✓
Other public facilities?	~	~	~	✓

Discussion: The agency has adequate supply and infrastructure to serve the portions of the project area not already served without impacting service levels for existing customers. Other public services in the project area, such as fire and police protection, which are provided by other agencies, would not be significantly impacted by the implementation of the proposed project.

XIV. RECREATION. Would the project:

a) Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?	~	~	~	✓
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which have an adverse physical effect on the environment?	~	~	~	✓

Discussion: The project will not result in any significant direct or cumulative impacts on recreational services within the project area including increasing the use of existing neighborhood and regional parks.

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

XV. TRANSPORTATION / TRAFFIC. Would the project:

- | | | | | |
|--|---|---|---|---|
| a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)? | ~ | ~ | ~ | ✓ |
| b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways? | ~ | ~ | ~ | ✓ |
| c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks? | ~ | ~ | ~ | ✓ |
| d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)? | ~ | ~ | ~ | ✓ |
| e) Result in inadequate emergency access? | ~ | ~ | ~ | ✓ |
| f) Result in inadequate parking capacity? | ~ | ~ | ~ | ✓ |
| g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)? | ~ | ~ | ~ | ✓ |

Discussion: The project would not result in any significant direct or cumulative impacts relating to transportation or circulation within the project area. This includes not causing an increase in street or air traffic patterns, creating inadequate emergency access or parking capacity, or conflicting with adopted transportation policies.

XVI. UTILITIES AND SERVICE SYSTEMS. Would the project:

- | | | | | |
|---|---|---|---|---|
| a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board? | ~ | ~ | ~ | ✓ |
|---|---|---|---|---|

Issues:

	Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	~	~	✓	~
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	~	~	~	✓
d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?	~	~	✓	~
e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	~	~	~	✓
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?	~	~	~	✓
g) Comply with federal, state, and local statutes and regulations related to solid waste?	~	~	~	✓

Discussion: Water supplies in Southern California as a region are limited. While the Santa Margarita Water District has sufficient water supplies to serve existing land uses, new development or an intensification of existing uses may require new sources. This is a regional impact. Updating the sphere of influence of the Santa Margarita Water District could result in the need for additional water treatment facilities if subsequent annexations occur. However subsequent infrastructure improvements for developments and/or annexations will require additional CEQA review.

XVII. MANDATORY FINDINGS OF SIGNIFICANCE

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat or a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?
- b) Does the project have impacts that are individually limited, but cumulatively considerable? (“Cumulatively considerable” means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current project, and the effects of probable future projects.)
- c) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?

~	~	~	✓
~	~	~	✓
~	~	~	✓

Discussion: The project would not result in any significant direct or cumulative impacts relating to mandatory findings of significance within the project area. This includes not degrading the quality of the environment or causing substantial adverse effects on individuals, whether directly or indirectly.

ATTACHMENT D

CERTIFICATE OF FEE EXEMPTION

De Minimus Impact Finding

Project Title/Location (include county): Santa Margarita Water District Sphere of Influence Update

Name and Address of Project Applicant:

Orange County Local Agency Formation Commission (LAFCO)
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

Project Description: Pursuant to California Code of Regulations, Title 14, Section 15074, the Commission will review and consider the adoption of a negative declaration relating to the proposed update of the Santa Margarita Water District's sphere of influence. The negative declaration confirms the findings of the associated initial study that the proposed project (the update of the Santa Margarita Water District sphere of influence update) will not have a significant effect on the environment. In accordance with Government Code Section 56425 and the LAFCO Sphere of Influence Policy, LAFCO is required to review an agency's sphere of influence every five years in conjunction with conducting municipal sphere reviews. LAFCO is required to establish a sphere of influence to identify probable future boundaries and service areas of all cities and special districts. LAFCO is recommending that the Santa Margarita Water District sphere of influence be reaffirmed at this time.

Findings of Exemption:

1. An Initial Study and Negative Declaration has been prepared by LAFCO to evaluate the project's effects on wildlife resources, if any.
2. The Lead Agency hereby finds that there is no evidence before LAFCO that the project will have any potential for adverse effect on the environment.
3. The project will not result in any changes to the following resources:
 - (A) Riparian land, rivers, streams, watercourses and wetlands;
 - (B) Native and non-native plant life and the soil required to sustain habitat for fish and wildlife;
 - (C) Rare and unique plant life and ecological communities dependant on plant life;
 - (D) Listed threatened and endangered plants and animals and the habitat in which they are believed to reside;
 - (E) All species listed as protected or identified for special management in the Fish and Game Code, the Public Resources Code, the Water Code or regulations adopted thereunder;
 - (F) All marine and terrestrial species subject to the jurisdiction of the Department of Fish and Game and the ecological communities in which they reside; and
 - (G) All air and water resources, the degradation of which will individually or cumulatively result in a loss of biological diversity among the plants and animals residing in that air and water.

CERTIFICATION:

I hereby certify that LAFCO has made the above finding(s) of fact and based upon the Initial Study, the Negative Declaration and the hearing record, the project will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

Lead Agency Representative: Joyce Crosthwaite

Title: Executive Officer

Date: February 1, 2006

SOI 05-29

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
SPHERE OF INFLUENCE FOR THE SANTA MARGARITA WATER
DISTRICT**

February 8, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission (“LAFCO”) adopt Spheres of Influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the Sphere of Influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a Sphere of Influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update Spheres of Influence the Commission shall conduct Municipal Service Reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the Municipal Service Review (MSR 05-24), as an accompanying report to the Sphere of Influence update for the Santa Margarita Water District (SOI 05-29) and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the Sphere of Influence update for the Santa Margarita Water District (SOI 05-29) contains statements of determination as required by California Government Code Section 56430 for the services provided by the District; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set February 8, 2006 as the hearing date on this Sphere of Influence study proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of the designation of a sphere of influence for the Santa Margarita Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on February 8, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act, following the completion of an Initial Study, it was determined that the proposed project would not have a significant effect on the environment and a Negative Declaration was prepared; and

WHEREAS, LAFCO certified that based upon the Negative Declaration, the sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) Following completion of an Initial Study, it was determined that adoption of a sphere of influence for the Santa Margarita Water District would not have a significant environmental effect on the environment as determined by the California Environmental Quality Act. Accordingly, a Draft

Negative Declaration was prepared and noticed in accordance with existing guidelines for implementing CEQA.

- b) The Commission has reviewed the Draft Negative Declaration, and as lead agency, hereby adopts the Negative Declaration for the Santa Margarita Water District Sphere of Influence update.
- c) The sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.
- d) The Commission directs the Executive Officer to file a *de minimus* statement with California Wildlife, Fish and Game.

Section 2. Determinations

- a) The Commission accepts the report for the sphere of influence update for the Santa Margarita Water District (SOI 05-29) as presented to the Commission on February 8, 2006.
- b) The Executive Officer's staff report dated February 8, 2006, the recommendation for approval of the sphere of influence update of the Santa Margarita Water District, and the Statement of Determinations contained therein, are hereby adopted.
- c) The Commission has reaffirmed the Santa Margarita Water District's current sphere of influence as shown on the attached map labeled "Exhibit 1."

Section 3. This review is assigned the following distinctive short-form designation: "Sphere of Influence Update for the Santa Margarita Water District" (SOI 05-29).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:

NOES:

COUNTY OF ORANGE)

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of February, 2006.

By: _____

ATTACHMENT E

Statement of Determinations Santa Margarita Water District Sphere of Influence

Present and Planned Land uses for the Area

The Santa Margarita Water District is expected to increase its current population of almost 150,000 significantly as development occurs in its service area. Land uses are balanced among residential, commercial and open space uses. 84% of the District is located within various improvement districts; the remainder of the District consists of open space land uses.

Present and Probable Need for Public Facilities and Services

The extension of infrastructure and services for future water and wastewater needs is expected to be significant. The Santa Margarita Water District reviews infrastructure needs annually through master plans, budget and capital improvement program to ensure that services are provided concurrently with need.

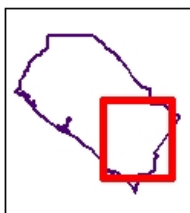
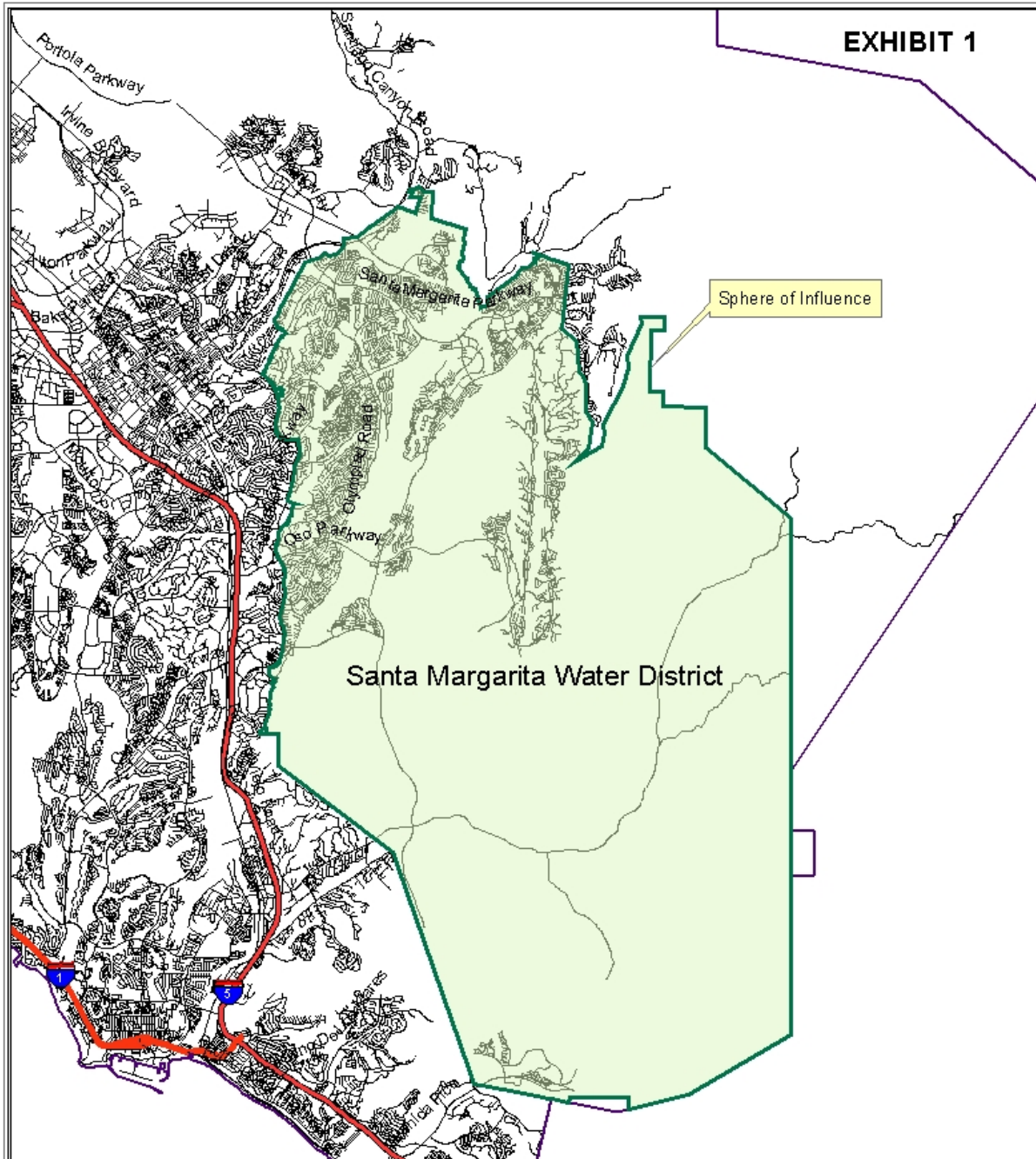
Present Capacity of Public Facilities and Adequacy of Public Services

In the 2005 Municipal Service Review (MSR) report, no significant infrastructure or service constraints were identified.

Social and Economic Communities of Interest

The Santa Margarita Water District serves both incorporated and unincorporated territory within southern Orange County. Communities of interest generally include existing cities and some unincorporated communities.

EXHIBIT 1



2 1 0 Miles



File: \\prodec\eris\eris\map\prodec\eris\SanMargarita\00.mxd

**Santa Margarita Water District
Sphere of Influence Map**

Legend

- Sphere Boundary
- District Boundary

SOI Originally Adopted: 12/13/78
Last Reviewed: 07/08/87

01/06/06